

LETTER FROM THE CITY MANAGER

June 16, 2021

Honorable Mayor Laura North, Members of City Council, and Residents of Kingsburg:

In accordance with City Charter 2.08.090(G), it is my pleasure to present the 2021-2022 \$26.6M All-Funds budget for your consideration. The budget presents in summary form the revenues and expenditures from each of the City's funds.

The annual budget serves as the blueprint for policy decisions and is a direct corollary to the City's strategic initiatives, adopted by City Council. In 2018, Council completed the most recent update to our strategic planning process. The document serves as the City of Kingsburg's 2018-2023 Strategic Plan. Its purpose is to help the City prioritize its efforts, allocating both fiscal and human capital to achieve a shared vision and goals that also reflect community priorities and needs. The Plan is the result of a comprehensive review by Regional Government Services (RGS) of the City's current operations and finances, interviews with staff members and discussions with City Council members and an online survey taken by Kingsburg residents.

The findings and conclusions of the review and survey results were presented to Council and staff at a one-day Study Session. The Study Session, which was open to the public, resulted in the development of a Mission Statement, a Vision Statement, a set of Core Values and six Goals to guide the City's future operations:

1. Ensure Financial Stability
2. Improve Public Safety
3. Provide Recreation Opportunities for All Ages
4. Improve Community Communication
5. Increase Retail Opportunities
6. Promote Sustainable Development

Our annual budget process reflects our focus on transparency throughout the organization. It is our desire to present a budget that promotes accountability, increases engagement, and tells the story of our path to success. This document holds information that we believe is relevant to guide staff, Council and to inform our residents.

The FY22 budget process has been guided by these strategic principles and meets our commitment to a high level of service, our cultural history, and coincides with the financial parameters set by the City Council. The budget is the most important document that the City creates on an annual basis.

COVID-19 Impact

A year ago, as the council considered adopting our financial blueprint, the budget was filled with conservative forecasting, anticipated revenue loss, and a general unknown of what the coming year would bring. As we entered the final quarter of our fiscal year, the entire world was impacted by the COVID-19 pandemic. U.S. state and local governments, on the front lines of the response to the pandemic of the new coronavirus disease, projected the potential of record budget shortfalls.

Today, as we consider our next year ahead, I am filled with tempered optimism that we find ourselves in a better financial position than anticipated, and are prepared to fully return to conditions similar to those pre-pandemic.

The past year has come with challenges both visible and not. We watched our community rally around shuttered businesses to help them weather the storm of public health guidelines that limited their activity. We have heard stories of those in our community who have struggled with navigating the pandemic at home and in the workplace, affecting their mental health.

Fiscally, our sales tax, fuel tax, and tourism related revenues are lower than pre-pandemic collections. Property taxes, development related fees have all performed higher than anticipated. This, combined with reduced spending from anticipated shortfalls, has led to an expected general fund surplus of ~\$300,000.

In last year's budget, the city predicted to utilize fund balance to continue to maintain staffing, provide regular programs, and provide a structurally balanced budget. It is unlikely, however, that we will need to utilize those fund balances given our increased revenues and conservative spending plan.

Faced with difficult decisions, officials acted quickly in the wake of the pandemic. While much of our discretionary programming was forced to halt, other discretionary spending was suspended, including:

- No travel or conferences through end of FY20
- Freeze on non-essential hiring
- Freeze on equipment purchases not already ordered (capital items)
- Revenue-neutral programs shut-down and those employees laid off (After School Rec, Summer Rec, Lifeguards, etc.)

For FY22, these restrictions will be removed, and programming will return to normal in all areas that are possible. For California, many of the mandates that restricted activity will be removed on June 15, 2021.

Although the total impact of the COVID-19 emergency on the City's finances continues to be uncertain, the City remains fiscally sound thanks to prudent and conservative planning by the City Council.

Looking Back

FY2021 brought a number of challenges and opportunities that helped define the past year our community and organization.

Pandemic Response

This past year has been unlike any other, but city employees met each obstacle head on and provided a steadying presence in our community.

Our Fire Dept. and EMS workers have been on the front lines, answering a record number of calls in 2020 and then transitioning to assist with mobile and permanent vaccine efforts.

The men and women of KPD continue to provide the highest level of professionalism in a time of heightened scrutiny of law enforcement. The proof is in the numbers – in 2020, part 1 crimes were down 23% from the previous year.

City Hall and Community Service staff adapted and readapted several times over to meet changing guidelines, provide customer service, and respond to the needs of our citizens and business community, including providing over 35,000 meals for seniors since the beginning of the pandemic.

Our public works department continued to keep our drinking water safe and our public spaces clean and well maintained – which is evident whenever you visit a local park or drive down Draper St.

Finally, our City Council provided a unified voice to lead our organization. Their leadership and steadfast guidance will play a key factor in allowing Kingsburg to quickly rebound in the coming months.

T-Mobile Customer Experience Center

T-Mobile officially started construction on their Central Valley Customer Experience Center (CEC). T-Mobile's forthcoming CEC will operate at the 100,000 sq. ft. former K-Mart location. Slated to open for T-Mobile employees in the second quarter of 2022, the

CEC delivers on the company's commitment to create approximately 1,000 new jobs, making T-Mobile one of the largest employers in the region.

An economic impact assessment completed by Berkley Research Group in 2019 identified more than \$100 million in total value added to Fresno County through T-Mobile's investment. The report outlines how the Center will help address systemic economic challenges facing Fresno County by providing more employment opportunities, accelerated economic growth and additional tax revenues. According to the report, "T-Mobile's average wage is 34% higher than the average compensation in the Central Valley and 51% higher than the average compensation in Fresno County."

Building Momentum

The measured and sustainable growth through targeted economic development efforts continues to promote ongoing private investment into Kingsburg. Our public-private partnership (P3) programs continue to grow and remain well utilized. Our development programs now include nine (9) different ways to partner with the city:

1. 25% reduction in impact fees for all new development
2. 50% rebate in City property taxes for new businesses for 36 months
3. 50% rebate in City sales tax for new businesses for 36 months
4. 21-day streamlined permit review and approval process
5. Additional impact fee reduction for new qualifying development in designated Business Improvement Zones (B.I.Z) – this area has been expanded to include the Business Park, Light Industrial area and Central commercial zone (Which includes downtown)
6. Façade/Alley Public/Private Partnership Matching Grant Program
7. Micro-Grant Public/Private Partnership Matching Grant Program

8. Upper Floor Rehabilitation Loan Program - to promote downtown living and re-use of second story space
9. New development incentive fund created utilizing residual payments from the dissolution of redevelopment – gives the council flexibility and a brand to partner with individual businesses.

These programs have provided a catalyst for investment in our community, with over \$50M in valuation and over 600 permits processed this past year. Notable Economic Development projects from the past year include:

- T-Mobile begins \$20M Customer Experience Center project, which will provide 1,000 new jobs and create the city's largest employer.
- Wiebe Business Park completes 58,000 sq. ft. expansion to house several industries, including packaging for beverages.
- Adventist Health constructs new 16,000 sq. ft. 31-exam room medical clinic.
- Grocery Outlet Bargain Market constructs new 14,000 sq. ft. facility on former Brownfield property on Simpson St.
- Tenant revitalization of former Woods Building transforms 30-year vacant building into two high-quality restaurant locations in the core of our downtown.

CalPERS Contributions

In December 2016, the CalPERS Board of Administration took a step to cut the "discount rate" by a half percentage point over the next three years. CalPERS CEO Marci Frost writes, "The discount rate is what CalPERS assumes their \$304 billion in investments will return in a typical fiscal year, July 1 to June 30. It's a critical component of pension financial planning, because it's used in calculating the amount of money those who are part of the CalPERS

system contribute. Achieving a 7.5 percent return – the rate in place since 2012 – was now far less likely than it was just two years ago. Solid investment returns are the cornerstone of the CalPERS system: They pay for nearly two-thirds of every dollar paid out in pension benefits. But cutting the discount rate has real financial impacts for California taxpayers. The state, local public agencies, and school districts that make up CalPERS will have to contribute more money.”

For Kingsburg, the change equates to a \$7mm unfunded liability that will require significantly increased contributions on an annual basis.

In 2018, the Council adopted a financial resolution that created a ‘waterfall’ policy that designates any surplus funding to three designated funds:

1. CalPERS UAL (70%)
2. Economic Stabilization (15%)
3. Equipment Reserve (15%)

All three funds are designed to leverage the City’s current financial health to plan for the potential impact of future years.

In FY20, the Council made \$850,000 in additional discretionary payments to CalPERS resulting in an estimated interest savings totaling \$1,229,733 (~44% ROI), or approximately 17.5% of our outstanding UAL.

The city’s UAL contribution will increase an additional 11.5% in the coming year. Since FY2018, overall contributions have risen over 58%, with the contribution rising to \$676,000 in FY22.

FY22 Priorities

There are several new projects and ongoing initiatives that will continue our upward trajectory and investment in Kingsburg quality of life.

Development Forward

In October, local business owners voted to establish a certified Business Improvement District (BID) that will provide annual funding for improvements and services that will benefit the downtown and its business/property owners. The BID Board has been meeting monthly to develop a budget and identify areas of need for the District.

There are also several recent development announcements that will carry us into the next fiscal year, including:

- Dutch Bros Coffee has announced their first Kingsburg location.
- Valley Health Team will begin construction on their new expanded service medical facility.
- Strategic Industries, Inc. a design-build general contractor will begin construction on new offices in the Business Park.
- Stone Plaza, a mixed use 2-story development with second story apartments and ground floor commercial will begin construction.
- Roadhouse 99 will relocate their restaurant from Tulare Co. to a newly refurbished location in the former Wood Apparel Building.

Public Safety Investment

Measure E is a 1% public safety tax that passed with approximately 72% approval in 2018.

In the first few years of collecting new revenue, investment in public safety came swiftly, including:

- 8 New Employees
- KPD - Tasers, Rifles, Tablets for Patrol Squads

- KPD - New Patrol Vehicles
- KFD- New Fire Engine
- KFD – new line radios
- KFD – New Personal Protective Equipment (PPE)

The coming year includes additional public safety activity:

- Maintains 8 employees from previous year
- KPD – Add 5 new positions
- 4 KPD Patrol Vehicles (1 additional from General Fund)
- KFD – Station Safety Improvements
- KFD - Purchase replacement command vehicle
- KFD – New Personal Protective Equipment (PPE)

Quality Housing

Both revenues and expenditures have been influenced by the uptick in commercial and single-family residential building activity. While we anticipated a slowdown in the housing market due to the unknowns of the pandemic, we've seen the opposite occur. Individuals, now spending more time at home (including working) are looking to enter the market and take advantage of record low mortgage rates.

For Kingsburg, all housing is required to meet development standards, which ensures high-quality development that creates not just subdivisions, but neighborhoods. In addition, these developments are designed to maintain property values throughout their lifetime.

New housing tracts include pedestrian pathways, bike friendly access, and new neighborhood parks. Each of the subdivisions meets the specifications of the North Kingsburg Specific Plan, which places emphasis on quality of housing and neighborhood uniqueness.

Conclusion & Acknowledgements

We are committed to providing the highest level of service and quality of life to our citizens. This budget document hopes to recognize the values that make Kingsburg what it is today, and reflects each of our employees, businesses, and residents.

Thank you to Mayor North, City Council, staff and all Kingsburg residents for your energy, effort, and passion to make Kingsburg the "Gem of the Valley." A special thank you to the City's Finance Director, Alma Colado, Administrative Services Director, Christina Windover, the Large Management Team, and all staff who were a part of preparing our FY2022 budget.

Respectfully,



Alexander J. Henderson; ICMA-CM
City Manager, Kingsburg, California